USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Israel

Exporter Guide

Annual Report - 2010

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Report Highlights:

Israel is a net food importer. It is a strong market for U.S. agricultural exports, such grains, oilseeds, dried fruits and prepared food products. The current exchange rate of the U.S. dollar versus the Euro, which continues to favor U.S. sales, combined with the expected 4.1 percent GDP growth for Israel in 2010 and the Agreement on Trade in Agricultural Products (ATAP) between the U.S. and Israel, offer good opportunities for American agricultural and food products in Israel. Data for the first ten months of CY 2010 show that agricultural and food imports from the U.S. increased by 11 percent from the same period one year ago (from $361 million to $402 million).

Post:

Tel Aviv

Executive Summary:

Main Changes Compared to Previous Year Report

Since the second quarter of 2009, Israeli economy experienced high constant growth, indicating a fast recovery from the global economic crisis. GDP is estimated to grow by 4.1 percent and 4.0 percent in 2010 and 2001, respectively compared with 0.8 percent in 2009. The Israeli economy demonstrated a high level of stability compared to other countries throughout the global economic crisis.

World Economic Forum (WEF) Global Competitiveness Index 2010-2011: The WEF ranked Israel 24th out of 139 countries for 2010-2011.

On May 27th, 2010 Israel officially joined as a full member in the OECD.

Data from January through October 2010 show total imports of goods (excluding diamonds, aircrafts and ships) increased by nearly 23 percent compared to the same period one year ago (from $33.7 billion to $41.5 billion) and if economic situation will continue to improve both globally and in Israel
it is estimated that demand for all goods will continue to increase in 2011.

Data from January through October 2010 show total exports of goods (excluding diamonds, aircrafts and ships) increased by nearly 19 percent compared to the same period one year ago (from $29.0 billion to $34.5 billion). In 2011, exports are estimated to grow by 6 percent compared to 2010. However, since EU concern grew over a debt crisis in several countries, combined with the fact that the EU is Israel's main trade partner, exports forecast may be changed in the forthcoming months and will also affect Israel's GDP.

Data from January through October 2010 show total agricultural and food imports increased by 19 percent compared to the same period one year ago (from $2.97 billion to $3.52 billion). Agricultural and food imports from the U.S. increased by 11 percent to $402 million in 2010 (till October).

The expected improved economic activity in 2011 both globally and in Israel, combined with the weakening dollar, is expected to continue to boost demand for U.S. agriculture products in Israel in 2011.

Annual household consumption expenditure in 2009 totaled $42,190 (2% up from 2008), of which 16.3% ($6,877) was directed to food purchases. As a result of the global economic recession, food purchases percentage decreased from 17.2% in 2008 to 16.3% in 2009. As a result of the improved economic situation, food purchases expenditure are expected to increase in 2010 and 2011.

Section I: Market Overview

Economic and Demographic Situation

Israel is a lively democracy of more than 7.6 million people: 75% Jewish (5.7 million) and 20.2 percent Arabs, mainly Muslims. The annual population growth rate is 1.8 percent.

Despite the global economic recession, actual and predicted effects on the Israeli economy were much less than those worldwide. The reason for Israel coming through the crisis in better shape than other countries lies in the economy's strong starting position: a responsible fiscal policy and balanced budget, a falling public debt/GDP ratio, and a lower rate of household debt than in other countries.

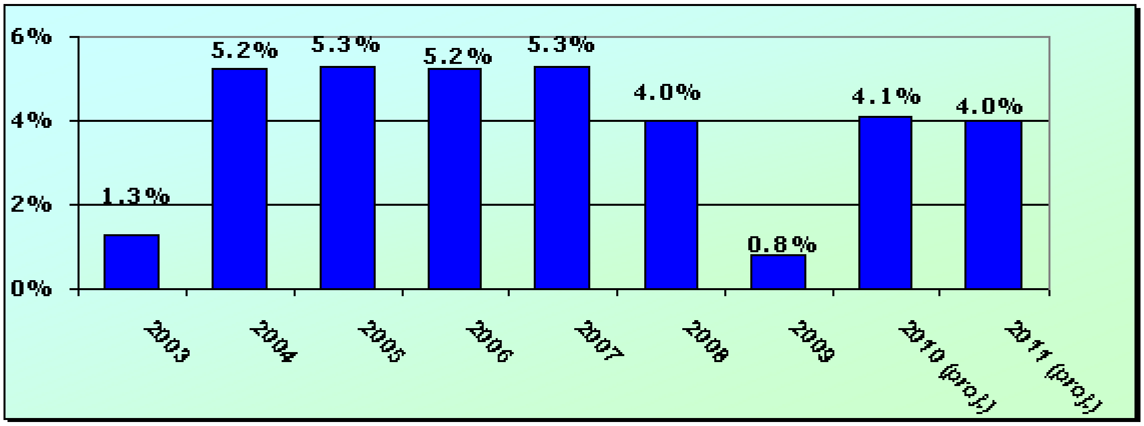
The Central Bureau of Statistics (CBS) predicts that Israel's GDP will grow by 4.1 percent in 2010 compared with 0.8 percent in 2009. Israel's economic growth eased in the third quarter of 2010. GDP grew in the third quarter of 2010 at an annual rate of 3.8 percent, compared with a rate of 4.5 percent in the second quarter of 2010. GDP in 2009 totaled NIS 698 billion ($183 billion).

Israeli economic growth in 2010 has been led by exports. As a result of the improved economic activity in 2010, data from January through October 2010 show total exports of goods (excluding diamonds, aircrafts and ships) increased by nearly 19 percent compared to the same period one year ago (from $29.0 billion to $34.5 billion), and the bank of Israel expects a 17 percent rise in exports in 2010 compared with last year. Exports constitute 40–45 percent of Israel's GDP.
In 2011, exports are estimated to grow by 6 percent compared to 2010. However, since EU concern grew over a debt crisis in several countries, combined with the fact that the EU is Israel's main trade partner, exports forecast may be changed in the forthcoming months and will affect Israel's GDP forecasts.

Israel is a member in leading international economic organizations: WBG, IMF, WTO, and OECD.
On May 27th, 2010 Israel officially joined as a full member in the OECD.

World Economic Forum (WEF) Global Competitiveness Index 2010-2011: The WEF ranked Israel 24th out of 139 countries for 2010-2011.

Chart 1: GDP, Annual Growth Rate



Source: CBS

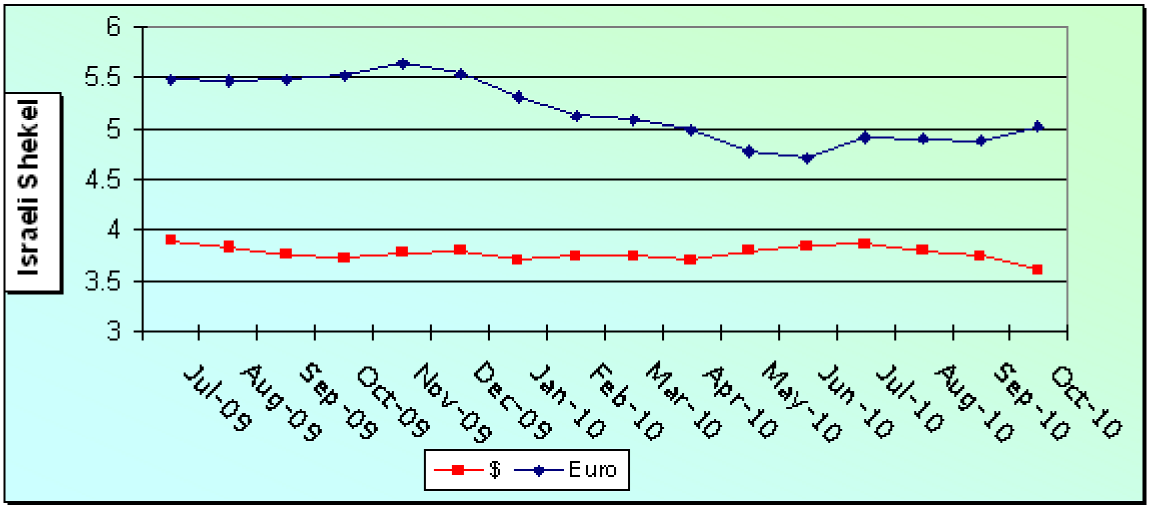
CPI in 2010 is forecast to decrease to 2.5 percent, compared to 3.9 percent in 2009.
Since the beginning of 2010, the CPI has increased by 2.2 percent. Excluding the housing component, it has increase by 1.5 percent. With inflation at 3.9 percent in 2009, Israeli inflation exceeded an official annual target of 1 to 3 percent. Excluding energy, the CPI decreased by 0.6 percent in 2009.

Due to the global and local economic slowdown, during the first eight months of 2009 the Bank of Israel reduced the key interest, however in fear of rising inflation the Bank of Israel lifted the Key Interest Rate for the fifth time since August 2009.
The Bank of Israel was the very first central bank to implement any rate increase following the world recession. Currently the key interest rate stands at 2.0 percent (11/2010), compared to a 0.75 and 3.27 percent in November 2009 and 2008, respectively.

Initial data on unemployment shows a decline to 6.5 percent unemployment in the third quarter of 2010 with unemployment approaching pre-crisis levels. In 2009, unemployment increased by nearly 25 percent compared to 2008 (from 6.1 to 7.6 percent). In 2009, the number of work seekers totaled 229,500 people. In addition to the local employment force, there are about 200,000 foreign workers, mainly from Thailand, Philippines, and Eastern Europe, and 47,000 workers from the Palestinian Authority. Foreign workers work mainly in the Agricultural sector, construction, restaurants and elder care services.

During the period between October 2009 and October 2010, the US dollar weakened by 3 percent against the Israeli shekel, and the euro weakened by 9 percent against the Israeli shekel. The strengthening of the Israeli shekel was supported by the positive indicators relating to Israel's economy. It is expected that the Israeli shekel will continue to trade between ILS3.6/US$ and ILS3.9/US$ in the short term.

Chart 2: U.S. Dollar and Euro to Israeli Shekel Exchange Rate



Source: CBS, Israel

Israel Food Processing Industry

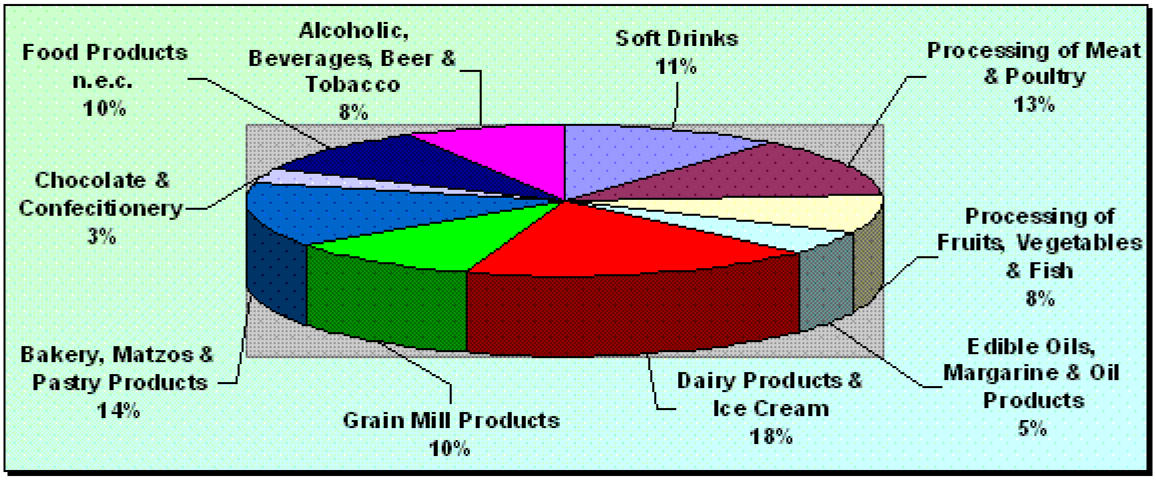
As a result of the global economic recession, the food and drink industry turnover decreased by about 2 percent in 2009 compared to 2008. However, the food and drink industry is one of the largest manufacturing industries in Israel, with a turnover of $15.2 billion 2009. As a result of the improved and projected global economic situation the expected local HRI market growth rate in the next few years is 2-4 percent annually.

The HRI market, including the army, hospitals, hotels, restaurants and other places of employment, is valued at about $7.2 billion. Over 50 percent of the total food supply directed at non-institutional consumers is sold through supermarkets and retail chains. Two major supermarket chains with hundreds of outlets throughout the country dominate the retail food market.

For further information, see Israeli Food Processing Sector Report:
http://www.fas.usda.gov/gainfiles/200603/146176957.pdf

Chart 3 data – Unchanged from the previous year.

Chart 3: Food Processing Industry Value, by Sub-Sectors, Percent, CY 2009



Source: The Food Industries Association, Manufactures' Association of Israel

Consumer Buying and Eating Habits

Main Facts:

- Annual household consumption expenditure in 2009 totaled $42,190 (2% up from 2008), of which 16.3% ($6,877) was directed to food purchases. As a result of the global economic recession, food purchases percentage decreased from 17.2% in 2008 to 16.3% in 2009.

- Where do they buy food? 60% - Supermarket chains, 16% - Grocery shops, 5% - open markets, and 19% - other shops. Supermarkets share increased from 56 percent in 2008 to 60 percent in 2009. On the other hand, grocery shops and open markets shares decreased compared to 2008 (grocery stores from 19% to 16% and open markets from 6% to 5%).

- Nearly 70% of the Jewish sector buy food products through supermarket chains, while only 13% of the Arab sector buy products through supermarket chains.

- Nearly 70% of consumers prefer kosher food products.

- 1.4 million (19%) Israelis are above age of 50, and 2.1 million (28.7%) Israelis are under the age of 14. The average household size is 3.7 people.

- Israelis are quality oriented and are ready to pay a premium for quality food products.

- Shoppers are eating out more frequently and in 2008 they spent more than $2.7 billion on food away from home.

Consumers are acquainted with American products and wish to have more of them available. During the last decade, an increasing share of consumers preferred to buy their products through supermarket chains (60%) instead of through the traditional channels of open markets and small grocery stores.

Except for meat, kosher certification is not an obligatory requirement for importing food into Israel. However, non-kosher products have a much smaller market share as the large supermarket chains and
hotels refuse to carry them.

Table 1: Food- Household Purchase by Outlet Type - % of Total Expenditure (Excl. Meals Away From Home), 2009

	Grocery Stores	Open Markets	Supermarket Chains	Others	Total
Food - Total	**16.4**	**5.1**	**59.7**	**18.8**	**100**
Bread, Cereals and Pastry Products	19.6	1.5	60.0	18.9	100
Meat, Poultry and Fish	9.8	3.5	52.3	34.4	100
Soft Drinks	22.3	1.1	66.1	10.5	100
Fresh Fruits and Vegetables	6.4	20.9	44.8	27.9	100
Dried Fruit	14.6	15.6	53.2	16.6	100

Source: Household Expenditure Survey, 2009, CBS.

Trade and the Market for U.S. Products and Services

Israel has been a member of the World Trade Organization (WTO) since 1995. Israel's first Free Trade
Area Agreement (FTAA) was with the European Community in 1975. The U.S./Israel FTA came in 1985.
Israel has also agreements with Bulgaria, Turkey, Jordan, Mexico, Canada and Romania. All new EU member states were automatically included in the agreement with the EU. In 1996, Israel and the United States signed a five-year Agreement on Trade in Agricultural Products (ATAP), in which Israel was
allowed to protect a number of sensitive crops and livestock products with a combination of tariff rate
quotas and relatively high duties. In 2004, the agreement was extended until 2008. Negotiations on the
next extended agreement started in February 2008.

Imports of all goods into Israel have decreased significantly in 2009 mainly due to the economic slowdown. As a result of the improved economic activity in 2010, data from January through October
2010 show total imports of goods (excluding diamonds, aircrafts and ships) increased by nearly 23 percent compared to the same period one year ago (from $33.7 billion to $41.5 billion) and if economic
situation will continue to improve both globally and in Israel it is estimated that demand for all goods will
continue to increase in 2011.

In 2009, imports [1] of goods (excluding diamonds, aircrafts and ships) totaled $41.7 billion (25% decrease compared to 2008), while exports [2] totaled $36.2 billion (13% decrease compared to 2008), resulting in a trade deficit of $5.7 billion, a 59 percent decrease from the previous year. The EU is Israel's largest trading partner, followed by the U.S. Imports constitute 37–44 percent of Israel's GDP

Agricultural and food imports in 2009 decreased nearly 17 percent compared to the previous year (from $4.41 billion to $3.67 billion). Out of total imports, $1.38 billion (38%) were food and beverages products. The strength of the U.S. dollar combined with economic slowdown in Israel in 2009 decreased the competitive advantage of U.S. agriculture and decreased import demand for U.S. agricultural and food products. Agricultural and food imports from the U.S. decreased by 32 percent to $428 million, while imports of agricultural and food products from the EU decreased 11 percent to $1.51 billion in 2009.

The most important U.S. food and agriculture exports to Israel are grains, oilseeds, dried nuts and fruits. The largest volume of American exports of food and agriculture to Israel is milling wheat, soybeans and feed grains. No duties restrict imports of these products. U.S. exports of prepared vegetables, fruits and nuts and miscellaneous edible preparations show a trend of expansion, while imports of cereals and feed have decreased in recent years. Beef meat imports stopped totally due to kosher demand and dispute between APHIS and the Israeli Veterinary Services regarding BSE issue.

Food and agricultural exports in 2009, totaled $2.03 billion, a 4 percent decrease compared to 2008. Out of total exports, $1.34 billion (66%) and $617 million (30%) were vegetables products and food and beverages products, respectively. Agricultural and food exports to the U.S. in 2009 did not change compared to 2008 ($238 million), while agricultural and food exports to the EU decreased 3.1 percent to $1.28 billion.

2010 Imports – As a result of the improved economic activity in , data from January through October 2010 show total agricultural and food imports increased by 19 percent compared to the same period one year ago (from $2.97 billion to $3.52 billion). Agricultural and food imports from the U.S. increased by 11 percent to $402 million in 2010 (till October) and imports of agricultural and food products from the EU increased 16 percent to $1.38 billion in 2010.

The expected improved economic activity in 2011 both globally and in Israel, combined with the weakening dollar, is expected to continue to boost demand for U.S. agriculture products in Israel in 2011.

Table 2: Agricultural Imports from the U.S., January-October, $ Million

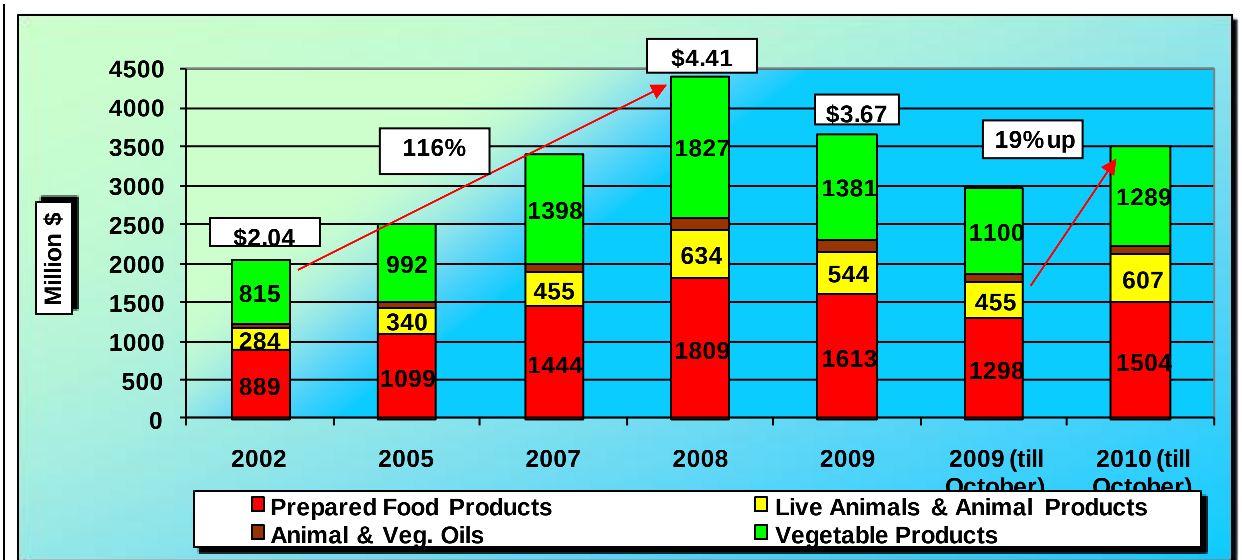
Description	2009 (1-10)	2010 (1-10)	% Change
Live animals; animal products	12.7	22.3	76
Vegetables products	222.3	241.3	9
Animal or Vegetables fats & oils	3.6	3.0	-17

Prepared foodstuffs, beverages, tobacco	122.5	134.9	10
Total	**361.1**	**401.5**	**11**

Source: CBS, Israel

2010 Exports - According to Israel's CBS data from January through October 2010 show total agricultural and food exports increased by 12 percent compared to the same period one year ago (from $1.64 billion to $1.83 billion). Out of total exports, $1.2 billion (65%) and $568 million (31%) were vegetables products and food and beverages products, respectively. Agricultural and food exports to the U.S. increased by 5 percent compared to the same period one year ago (from $187 million to $197 million) and exports of agricultural and food products to the EU increased 7 percent compared to the same period one year ago to $1.12 billion in 2010.

Chart 4: Israeli Imports of Agricultural, Processed Food and Beverages



Source: Central Bureau of Statistics

Table 3: Israeli Imports of Agricultural and Prepared Food Products, $ Million, CY

	Total			U.S.			EU		
	2007	2008	2009	2007	2008	2009	2007	2008	2009
Live animals	454.4	633.9	544.3	29.4	39.6	15.3	96.7	124.1	115.3
Vegetable products	1,397.2	1,826.8	1,380.5	287.4	390.5	262.9	423.4	585.6	447.6
Animal & Veg. oils	104.3	141.4	137.4	3.5	3.3	4.2	35.7	45.9	60.8
Prepared foods, Tobacco	1,447.1	1,809.4	1,613.2	151.2	194.1	145.4	824.7	947.2	893.0
Total	**3,400.0**	**4,411.5**	**3,675.4**	**471.5**	**627.5**	**427.8**	**1,380.5**	**1,702.8**	**1,516.7**

Source: CBS, Israel

Table 4: Trend in Israeli Imports of Agricultural and Prepared Food Products,

Percent Change Compared to the Previous Year

	Total	U.S.	EU
	2009 % Change Compared to 2008	**2009 % Change Compared to 2008**	**2009 % Change Compared to 2008**
Live animals	-14.1	-61.4	-7.1
Vegetable products	-24.4	-32.7	-23.6
Animal & Veg. oils	-2.8	27.3	32.5
Prepared foods, Tobacco	-1.8	-25.1	-5.7
Total	**-16.7**	**-31.8**	**-10.9**

Table 5: Opportunities and Challenges for U.S. Exporters to Israel

Opportunities	Threats
In recent years Israel's economy has remained strong, boosting demand for agriculture products. Economic growth in 2010 and 2011 is expected at 4.1 and 4.0 percent, respectively.	The security situation in Israel remains precarious. Continued concerns about the economic situation in Europe and the US
The current exchange rate of the U.S. dollar versus the Euro continues to favor U.S. sales.	Growing competition from Eastern Europe, Former Soviet Union, Turkey, South America and the Far East. This sector generally only imports from nearby countries.
The standard of living in Israel is expanding rapidly, increasing the demand for high quality food products.	Israel is increasingly adopting EU standards and requirements on imports.
American products are known for their quality and reliability.	Kosher requirements are becoming increasingly strict.
Israel is a "bridge" to the Palestinian Authority with its rapidly growing population and future increased standard of living.	U.S. suppliers lack knowledge of the Israeli and Palestinian markets and its opportunities.
High consumer interest in new food products. About 3,000 new products are being introduced into the local food market annually	Import requirements can be quite strict, and new-to-market products are sometimes detained at port.
The ATAP offers the U.S. tariff rate quotas for several important products, and reduced duties for several others Negotiations on the new ATAP agreement started in February 2008 and are about to be renewed.	Israel is unlikely to agree to the U.S. request for a complete phase-out in tariffs. Improved FTA between Israel and the EU on processed food products.
Israel is a net food importer. Israel is highly dependent on grain and oilseed imports.	Israel has a strong domestic manufacturing system and EU agricultural and food products remain very competitive.
There is a continued growth in the number of food stores (supermarkets, grocery stores, 24-hour convenience stores), and restaurants.	

Section II: Exporter Business Tips

Local Business Customs:

1. Customs Valuation and Taxes
Israel has implemented the WTO Customs Valuation Agreement. Under WTO regulations, the basis for
valuation is the transaction value, in most cases the CIF price.

2. Value Added Tax and Purchase Tax
Israel decreased its VAT rate on January 1st, 2010 from 16.5 percent to 16.0 percent.
The VAT on imports is levied on the CIF landed cost plus purchase tax. VAT is recovered by the importer
upon resale of the goods and is ultimately paid by the consumer. Israel levies purchase taxes on many
consumer goods. The GOI reduced or eliminated the tax on more than 600 items in 2000, including
televisions, washing machines, electrical appliances and cosmetics. Rates that had ranged from 25-85
percent were reduced to 5-45 percent. Purchase taxes of up to 90 percent on motor vehicles, fuel,
tobacco and liquor were left unchanged.

Consumer Taste and Preference

The food service industry is expanding and consumers' habits are changing. Over the last few years,
Israelis have begun to dine out more frequently and choose premium food when doing so. Approximately
20 percent of Israel's 7.6 million people are concentrated in the Tel Aviv district, Israel's commercial and
financial center. Other major concentrations of the population are the Haifa area (15 percent), a major
port city and center for the petrochemical industry, and Jerusalem (12 percent). While most companies
are headquartered in the Tel Aviv or Haifa metropolitan areas, a growing number of firms maintain
branches, showrooms, or service facilities in Jerusalem and Beer Sheva.

Consumer malls and shopping centers are popular in Israel. Over 200 malls exist and others are planned.
American specialty shops, chain stores, and franchises have outlets in malls and shopping centers, while
others like Starbucks and Dunkin Donuts failed to succeed in the Israeli market. The key to success is
offering an increasing variety of new products meeting the Israeli taste preferences and services to the
consumer.

The institutional services, including the army, hospitals, hotels, restaurants, banquet halls and places of
employment, account for 30 percent of the total market share (households and institutional). Over 50
percent of the total food supply directed at non-institutional consumers is sold through supermarkets

and retail chains. Two major supermarket chains with hundreds of outlets throughout the country dominate the retail food market. The average floor size of a supermarket is 600 square meters. Some of the larger stores have areas of 1,000 - 2,000 square meters. Typical Middle Eastern-style open-air markets and small groceries serve the remainder of the food market. In recent years, specialty food stores have developed in all of the main metropolitan centers.

Food Standards and Regulations

See Gain Report IS1009 – FAIRS Country Report

In the current report the following sections have been updated:

1) Packaging Law; **2)** Color additives approved for use in human food**; 3)** Updated treatments
2) requirements for plant and its products; **4)** New infant formula regulations; **5)** New import guidelines
3) regarding BSE; **6)** New cold treatment requirements for apples and pears to mitigate the risks of
4) apple maggot and plum curulio; **7)** Botanical names; **8**) Labeling a food product called "Natural" or
5) an equivalent title; **9)** Proposed amendment for olive oil; **10)** New regulations regarding the
6) importation of specific fish species; **11)** The following Plants have been approved by the Israeli
7) Ministry of Health for use in food and/or food additives**.**

http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Narrative_Tel%20Aviv_Israel_7-26-2010.pdf

SPS and Regulatory Systems: Four agencies are involved in Israel's food/livestock/plants safety supervision, including the National Food Control Service, which is part of the Ministry of Health, the Standards Institution of Israel, the Israel Veterinary and Animal Health Services and the Plant Protection and Inspection Services which are a part of the Ministry of Agriculture. The Food Control Service (FCS) is in charge of imported food licensing and is notorious for its difficult requirements on high-value food products. Depending on the product, both the Ministry of Trade and MOAG have responsibility for managing quota allocations under the FTA.

The Standards Institution of Israel (SII) is the agency responsible for the development of most product standards, compliance testing, and certification of products and industry quality assurance systems. The FCS enforce the food and food labeling standards. For further information, interested firms should contact: The Standards Institution of Israel, 42 Levanon Street, Tel Aviv 69977;
Tel: 972-3-6465154; Fax: 972-3-6419683; E-mail: vered@sii.org.il.

It is the declared policy of the Government of Israel to adopt international standards, however, Israel is increasingly adopting EU standards and requirements on imports, which in many cases are different from the American requirements.

The Government of Israel requires that food and health products be registered with the Ministry of Health

before they can be sold in the country. FDA approval for food and health care products is not mandatory,
but Israeli importers prefer it as it accelerates the product registration process and import license approval. Product registration normally takes from 4-6 weeks if all documentation is in order.

As background of its general wish to encourage of the free international flow of goods, the Israeli cabinet
passed decision No. 2191, which is titled "improvement of Terms of Trade Standardization" on August 12,
2007. The decision determines that among others, by June 30, 2010 at least 65 percent of Israeli's mandatory standards will be international or regional standards. This means that over the next three years, at least 110 mandatory standards will undergo revision by adoption of international or regional
standards.

Import Licenses

All import licensing requirements for U.S. made consumer and industrial goods have been eliminated under the United States - Israel Free Trade Area Agreement (FTAA) of 1985 and World Trade Organization (WTO) agreements. Imported food items require the approval of the Ministry of Health's
Food Control Administration (FCS), which is also responsible for the approval of labeling and packaging.
All plant material (including dried fruits and nuts) require import approval from the Plant Protection and Inspection Service (PPIS). Unprocessed and unpackaged imported meat must be licensed by the Israel Veterinary Services (IVS) and originate in a plant which has been certified as approved by the IVS.
Packed meat and poultry for retail sale are subject to licensing by the Food Control Administration of the
Ministry of Health. Israel law requires that all meat and poultry imports be certified kosher by the Rabbinical Council of the Chief Rabbinate or a body authorized by the Council. As an exception, it is possible to import non-kosher beef offal. Israel's veterinary authorities ban imports of bone-in beef from
countries where there is a danger of transmitting Foot and Mouth Disease (FMD) or Bovine Spongiform
Encephaly (BSE), also known as Mad Cow Disease.

General Tips for Exporters

- Consider participating in FAS Tel Aviv organized or sponsored events.

- Consider showing at the Kosherfest in New York (November 8-9, 2011) as many Israeli buyers
  attend this show.
  http://www.kosherfest.com/10/public/MainHall.aspx?ID=21284&sortMenu=101000

- Communicate with potential importers of your product. Contact FAS Tel Aviv to obtain a list of local importers; Tel: 972-3-519-7588/7324/7686;
  Fax: 972-3-510-2565; E-mail: gilad.shachar@usda.gov; Yossi.barak@usda.gov;

- Criteria for Selection of an Exporter /Food Product with Better Opportunity in the Israeli Market. During the last few years post discussed food exporting issues with American exporters and with the Marketing Specialists with the States Departments of Agriculture. Post concluded that the American exporters lack information regarding the criteria necessary to increase food product's opportunity in the Israeli market. In order to help Marketing Specialists and US exporters in electing manufacturers or food products that will have an easier access to the Israeli market, the FAS office in Tel Aviv has listed a few requirements that will improve the product's chance in the local market (see annex 4).

TRADE SHOWS IN ISRAEL

ISRAFOOD

An International Food & Beverages Exhibition for professionals of the catering and food wholesale, retail,
restaurants, hotels, institutional and food shops.
November 29-December 1st -, 2011 – Tel Aviv
http://www.stier.co.il/english/fair_israfood.htm

AGRO-MASHOV

The Agro Mashov is Israel's greatest annual international agriculture exhibition,
March, 2011 – Tel Aviv
http://mashovgroup.net/The21stInternationalAgroMashov/tabid/293/Default.aspx

AGRITECH

For the past three decades, Agritech has served as a platform to bring together more than 7,000 foreign
visitors from 115 countries to interact with leading agriculture technology companies of the world.
15-17 May, 2012 – Tel Aviv
http://www.agritech.org.il/

WATEC

WATEC exhibition is Israel's prime event for showcasing its technologies and expertise in Water and Environment Technology fields.
15-17 November, 2011
http://www.watec-israel.com/

Section III: Market Sector Structure and Trends

Market Channels:

- Retail Chains – Two supermarket chains dominate the Israeli food retailing, accounting for 60% ($5.6 billion) of the market and the rest belongs to other private supermarket chains, grocery stores, drugstores and convenience stores.

* Most of them buy only kosher food products.
* The large supermarkets chains import themselves directly and also buy from

importers/wholesalers.
Others, usually buy only via importers/wholesalers.

- HRI Sector – Hotel chains, restaurants and institutional food sector. Only large chains such as Hotel chains or large caterers have a central purchasing office. Most HRI sector buy only kosher Food products.

- Food Importers – about 300 importers. They buy kosher and non kosher food products.

1. Retail Food Sector

In 2009, the retail food market (food retail chains and minimarkets) was valued at $9.4 billion, unchanged from the previous year. Out of total retail food market value, about 60 percent ($5.6 billion) belonged to the two major retail food-marketing chains. There are approximately 5,500 grocery stores and 1,700 minimarkets in Israel. Due to the intensive competition in the Israeli food sector, the grocery stores and minimarkets are operating at very small profit margins. More than 150 convenience stores, which are open 24 hours, were established in recent years.

For further information, see Israeli Retail Food Sector Report:
http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Retail%20Foods_Tel%20Aviv_Israel_1-28-2010.pdf

2. HRI Sector

Israel's HRI sector is complex and very diverse, with large commercial and institutional components. The improved tourist industry will continue to fuel demand from hotels and restaurants. Understanding import regulations and distribution channels, as well as making local contacts, are essential to entering this market. Nuts, salmon, and dairy products are among the U.S. products having good prospects in this market.

The HRI market was estimated to be valued at about $7.3 billion in 2009, 2 percent decrease compared to 2008. In 2007, the HRI market grew by 5 percent. As a result of the improved economic activity in 2010, both globally and in Israel, it is expected that HRI market will grow by 3-6 percent in 2010.

Food service is divided into two categories: commercial and institutional. The commercial sector is divided into sub-sectors: hotels and restaurants. The commercial sector comprises an estimated 360 hotels (46.500 rooms), 1,174 rural tourism houses, 4,399 food business (restaurants, coffee shops, fast food, pubs and bars), of which 1,539 (35 percent) are kosher certified. Some of the restaurants that are not kosher certified still use only kosher ingredients. In addition, there are about 900 banquet halls. The most popular food businesses are, coffee shops, Mediterranean, Italian, Thai and Japanese restaurants.

In 2009, sales of the restaurants, coffee shops, kiosks pubs and bars were estimated at about $2. billion. Approximately 45 percent of the bars and 23 percent of the pubs are located in central and northern Israel. Approximately 1,600 restaurants, coffee shops, pubs and bars are located in the Tel Aviv area.

2009- As a result of the global and local financial crisis combined with the local security situation, a drop of 11 percent in tourist arrivals into Israel was recorded in 2009 (2.7 million tourists). In 2009 income from tourism is estimated by NIS32 billion ($8.7 billion). In 2009, tourism from the United States was the primary source with 550,000 visitors amounting to 21 percent of all incoming tourism but with an 11 percent decrease from last year. U.S. tourists were closely followed by 400,000 Russian visitors who represented 15 percent of all tourists, with a 12 percent increase from 2008.

2010 - As a result of the improved global economic situation combined with the improved security situation in Israel, 3 million tourists arrived Israel from January through November 2010, a 30 percent increase compared to the same period one year ago, and 13 percent higher than in 2008, the country's previous record year. The highest number of tourist arrivals was from the United States, Russia, Germany, Italy, France and the UK. Tourist arrivals in 2010 are forecast to total 3.4 million a 33 percent increase compared to 2009.

The institutional food service companies include approximately 4,000 kitchens. The Israeli Defense Forces (IDF) is the largest institutional food consumer. The IDF alone consumes about 4 percent of all Israeli food through its purchasing channels. IDF outsourced a part of its food supply chain (150,000 meals/day).
In addition, Israeli police force joined the IDF as a consumer adding another 31,000 meals/day.
For further information, see Israeli HRI Food Service Sector Report:
http://www.fas.usda.gov/gainfiles/200812/146306720.pdf

Market Trends:

- Demand for Healthy foods is increasing; organic food, reduced in fat, lower salt, low in sugar, More grains and fibers or that contain added vitamins, probiotics and health benefits. Niche Products that target a specific health issue; diabetes, celiac disease (gluten free food).

- Increased consumption of non alcoholic and alcoholic drinks.

- Adoption of private labels; Objectives: lowering retail price, guarantee quality and increase customer loyalty.

- After several recent food safety scandals, food safety has also become increasingly important to Israeli consumers.

- As a result of the increasing number of women in the workforce, there is an increasing

demand
for nutritional ready-to-eat meals and other foods that have a low preparation time.

Section IV: Best High Value Products Prospects

- Butter
- Frozen fruits
- Beers (premium beers and economy brands)
- Wine and Spirits
- Non alcoholic drinks
- Gluten free food products
- Organic and health food products
- Honey
- Dry grocery food products
- Ready meals (premium quality only)
- Soft skimmed cheese
- Specialty gourmet foods
- Processed and frozen fish and sea food (especially frozen tilapia)
- Frozen and canned vegetables
- Food industry ingredients
- Baking industry ingredients

Section V: Key Contacts and Further Information

Local Mailing address: Office of Agricultural Affairs in the U.S. Embassy in Tel Aviv, Israel ;
Tel: 972-3-5197588/7324, Fax: 972-3-510256;
E-mail: gilad.shachar@usda.gov ; yossi.barak@usda.gov; levylx@state.gov

Food Control Service - Ministry of Health

12 Ha'arba'a St.
64739, Tel Aviv, Israel
Web site: http://www.health.gov.il/english/
Tel: 972-3-6270100
Fax: 972-3-5619549
Contact: Import Officer, Mrs. Ruthy Shinberg: Tel: 972-3-6270107

Israel Veterinary and Animal Health Services (IVAHS)

Web Site: http://www.vetserveng.moag.gov.il/vetserveng

Ministry of Agriculture
P.O. Box 12
50250, Bet Dagan, Israel

Import & Export Veterinary Division

Chief Import & Export Veterinary Officer Dr. Med. Vet. Shlomo Garazi
Tel: 972-3-9681649, Fax: 972-3-9605194. E-mail: shlomoga@moag.gov.il

Plant Protection & Inspection Service (PPIS)

P.O. Box 78
50250, Bet Dagan, Israel
Contact: Ms. Miriam Freund, Director
Tel : 972-3-9681560
Fax: 972-3-9681582
E-mail: miriamf@moag.gov.il
Web Site: http://www.ppiseng.moag.gov.il/ppiseng/

Standards Institution of Israel

42 H. Levanon St
69977, Tel Aviv, Israel
Web Site: www.sii.org.il
General Information: E-mail: vered@sii.org.il
Tel: 972-3-6465154; Fax: 972-3-6419683

Major Newspapers and Business Journals - English Language

Ha'aretz (daily English version) http://www.haaretz.com
The Jerusalem Post (daily newspaper) http://www.jpost.com
Globes http://www.globes.co.il/serveen/
The Marker http://www.themarker.co.il/eng /

More Useful Web Sites

Agriculture in Israel
http://www.moag.gov.il/agri/files/agriculture/index.html

The Agricultural Research Center of Israel - http://www.agri.gov.il/

Ministry of Agricultural and Rural Development - http://www.moag.gov.il/english/

Faculty of Agricultural, Food and Environmental Quality Sciences http://www.agri.huji.ac.il/index-eng.html

Central Bureau of Statistics - http://www.cbs.gov.il/engindex.htm

Bank of Israel - http://www.bankisrael.gov.il/firsteng.htm

USDA'S Global Agriculture Information Network (GAIN) -
http://gain.fas.usda.gov/Pages/Default.aspx

Annex 1: Key Trade & Demographic Information, 2009

Agricultural Imports From All Countries ($Mil) / U.S. Market Share (%)	$3,675/11.6%
Consumer Food Imports From All Countries ($Mil) / U.S. Market Share (%)	$1,613/9.0%
Edible Fishery Imports From All Countries ($Mil) / U.S. Market Share (%)	$150/1.4%
Total Population (Millions) / Annual Growth Rate	7.65/1.8%
Number of Major Metropolitan Areas	3
Per Capita Gross Domestic Product (U.S. Dollars)	$28,600
Unemployment Rate (%), 3rd quarter 2010	6.5%
Per Capita Annual Food Expenditures (U.S. Dollars)	$2,083
Annual Average Exchange Rate for November 2010 (US$1 = X.X local currency)	US$1=3.7 NIS

Source: CBS, Israel

Annex 2: Imports of Main American Agricultural and Food Products to Israel

Chapter Code	Product Category	2008		2009	
		Million $	%	Million $	%
1	Live animals	1.811	0.29	1.645	0.38
2	Meat & edible meat offal	0	0.00	0.406	0.09
3	Fish, crustaceans and mollusca	2.648	0.42	2.566	0.60
4	Dairy produce; eggs, natural honey; edible products of animal origin	34.498	5.50	10.240	2.39
5	Products of animal origin n.e.c	0.649	0.10	0.457	0.11
6	Live trees and other plants, bulbs, roots and other garden plants	0.023	0.00	0.047	0.01
7	Edible vegetables, roots and tubers	5.525	0.88	3.880	0.91
8	Edible fruits and nuts; peel of melons and other citrus fruit	84.696	13.50	78.290	18.31
9	Coffee, tea, mate and spices	2.441	0.39	2.172	0.51
10	Cereals	196.038	31.24	99.369	23.24
11	Products of milling industry; malt and	16.326	2.60	11.967	2.80

	starches; wheat gluten				
12	Oil seeds, grains, fruits, industrial and medical plants. Straw and feed	79.486	12.67	64.287	15.04
13	Tree gum; resins, other vegetable saps and extracts	5.981	0.95	2.575	0.60
14	Vegetable planting materials; vegetable products n.e.c	0.016	0.00	0.029	0.01
15	Animal or vegetable fats and oils; animal or vegetable waxes	3.291	0.52	4.223	0.99
16	Preparation of meat, fish, or of other aquatic invertebrates	6.909	1.10	7.332	1.71
17	Sugar and sugar confectionery	5.307	0.85	3.690	0.86
18	Cocoa and cocoa preparations	2.747	0.44	1.449	0.34
19	Preparations of cereals, flour starch or milk; pastry products	14.55	2.32	13.669	3.20
20	Preparations of vegetable, fruits, nuts and other plants	21.001	3.35	21.085	4.93
21	Miscellaneous edible preparations	54.113	8.62	52.891	12.37
22	Alcoholic beverages and vinegar	35.143	5.60	7.165	1.68
23	Residues and waste from the food industries; prepared animal feed	44.946	7.16	28.734	6.72
24	Tobacco and tobacco substitutes	9.353	1.49	9.409	2.20
	Grand total	**$627.499**	**100%**	**$427.577**	**100%**

Source: CBS, Israel

Annex 3: Imports of Main Agricultural and Food Products into Israel

Chapter Code	Product Category	2008		2009	
		Total - $Million	**%**	**Total - $Million**	**%**
1	Live animals	68.8	1.56	71.9	1.96
2	Meat & edible meat offal	327.0	7.41	269.7	7.34
3	Fish, crustaceans and mollusca	156.0	3.54	150.3	4.09
4	Dairy produce; eggs, natural honey; edible products of animal origin	73.2	1.66	46.6	1.27
5	Products of animal origin n.e.c	8.8	0.20	5.7	0.16
6	Live trees and other plants, bulbs, roots and other garden plants	12.4	0.28	11.7	0.32
7	Edible vegetables, roots and tubers	104.8	2.38	77.7	2.11
8	Edible fruits and nuts; peel of melons and other citrus fruit	169.2	3.84	137.8	3.75
9	Coffee, tea, mate and spices	107.5	2.44	86.8	2.36
10	Cereals	974.2	22.08	698.9	19.02
11	Products of milling industry; malt and starches; wheat gluten	90.2	2.04	64.1	1.74
12	Oil seeds, grains, fruits, industrial	331.1	7.51	280.4	7.63

	and medical plants. Straw and feed				
13	Tree gum; resins, other vegetable saps and extracts	27.9	0.63	18.3	0.50
14	Vegetable planting materials; vegetable products n.e.c	9.7	0.22	4.8	0.13
15	Animal or vegetable fats and oils; animal or vegetable waxes	141.4	3.21	137.4	3.74
16	Preparation of meat, fish, or of other aquatic invertebrates	81.5	1.85	71.5	1.95
17	Sugar and sugar confectionery	293.6	6.66	292.3	7.95
18	Cocoa and cocoa preparations	109.8	2.49	106.3	2.89
19	Preparations of cereals, flour starch or milk; pastry products	205.6	4.66	185.8	5.06
20	Preparations of vegetable, fruits, nuts and other plants	215.2	4.88	158.0	4.30
21	Miscellaneous edible preparations	311.2	7.05	287.8	7.83
22	Alcoholic beverages and vinegar	182.2	4.13	176.0	4.79
23	Residues and waste from the food industries; prepared animal feed	243.7	5.52	170.7	4.64
24	Tobacco and tobacco substitutes	166.6	3.78	165.0	4.49
	Grand total	**$4,411**	**100%**	**$3,676**	**100%**

Source: CBS, Israel

Annex 4: Criteria for Selection of an Exporter /Food Product with Better Opportunity in the Israeli Market

1. Obtaining a Certificate of Free Sale in the United States may ease the import licensing process by the Israeli Ministry of Health.
2. Obtaining a document approving the production under Good Manufacturing Practices (GMP) or HACCP will increase the product’s chance for an easy introduction to the Israeli market.
3. Being listed on the FDA’s list of registered plants and carrying a registration number from the FDA is a good approval for the Israeli import licensing authority that the exporting manufacturer is inspected by the FDA or the USDA.
4. Shipment from the US to Israel and selling time may last a few months, therefore only products with at least 9 months of shelf life can be considered for exports to Israel.

5. Only facilities exceeding a minimal production capacity and export experience can be considered
for exporting to Israel. Post is looking for big buyers in the Israeli retail market. This segment includes the biggest retail chains who buy in relatively big quantities.
6. Carrying a Kosher certificate is an advantage in the local market. Some surveys claim that between
60% - 70% of the Jewish population consume Kosher products. The biggest retail chains, the
hotels and the institutional markets are buying only Kosher products.

Annex 5: Map of Israel

[1] C.I.F.
[2] F.O.B.